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WO 01/80051 A2

(54) Title: SYSTEMS AND METHODS FOR CONDUCTING DUE DILIGENCE

(57) Abstract:

SYSTEMS AND METHODS FOR CONDUCTING DUE DILIGENCE

CROSS REFERENCE TO RELATED APPLICATIONS

[0001] This application claims the benefit of U.S. Provisional Application No. 60/197,143, filed April 14, 2000, which is hereby incorporated by reference in its entirety.

BACKGROUND OF THE INVENTION

[0002] The present invention relates generally to conducting due diligence and more specifically to computer-based systems and methods for conducting due diligence.

[0003] Businesses engaging in complex deals, such as commercial financing, mergers, acquisitions and real estate transactions, generally conduct a due diligence analysis to validate the assets and liabilities of the other party. Typically, external legal counsel participates in the due diligence as well.

[0004] During a due diligence analysis, information is gathered from many sources. The information is often complex and relevant to various areas of the overall transaction. Therefore, a number of different members of a due diligence team may need to know the same information. Internal deal teams typically manually and individually collect data as part of the due diligence analysis. For example, in a transaction involving the financing or lease of collateral, both an underwriting team and a legal team are involved. The underwriting team is concerned with what the collateral is, the value of the collateral, and how the collateral is valued. The legal team may only be concerned with the location of the collateral. During the documentation stage, external legal counsel will generally request information from the individual internal deal teams that is necessary to complete the documentation.

[0005] Known methods for conducting due diligence are not always time efficient. Individual collection by various internal deal teams increases the risk

of overlapping data collection. Further, individual reporting by the internal deal teams to external counsel increases the risk of providing inconsistent or incomplete data to external legal counsel during the documentation process, which results in increased cycle time and costs. For example, in the transaction involving the financing or lease of collateral described above, external legal counsel may request information relating to the location of the collateral from the underwriting deal team. The underwriting deal team will therefore request additional information from the borrower regarding the location of the collateral. Because the information is collected both manually and individually, the underwriting deal team has no knowledge that the data has been previously collected by the legal team. Consequently, documentation cycle time and costs are increased.

[0006] Moreover, the effectiveness of the data collection depends on the experience and knowledge of the employees. However, known methods and systems generally do not provide evaluation of the data collection process as a whole.

BRIEF SUMMARY OF THE INVENTION

[0007] In one aspect, a method for conducting due diligence is provided which comprises the steps of identifying data that will be used to assemble at least one standard documentation file and identifying at least one data collector to collect the identified data. The data is received and stored and at least one standard documentation file is then assembled using the data.

[0008] In another aspect, a computerized system for conducting due diligence is provided. The computer is configured to prompt a user to identify data to be used in a standard documentation file and prompt a user to identify at least one data collector to collect the identified data. The computer further receives and stores the data and generates at least one standard documentation file.

[0009] In yet another aspect, a database is provided which comprises data corresponding to at least one identified collector, data corresponding to a time for

collection of identified data for a standard documentation file and data corresponding to the standard documentation file.

[0010] In still another aspect, a system is provided which comprises a server configured to prompt a user to identify data that will be used to assemble at least one standard documentation file, at least one data collector to collect the data and a time for collection of the data. The system further comprises a database including data corresponding to a due diligence checklist.

[0011] In a further aspect, a method for conducting due diligence is provided which comprises using an electronic interface to select data to be used to form at least one standard documentation file, select at least one data collector to collect the data, and request a standard documentation file.

[0012] In another aspect, an apparatus comprises means for prompting a user to identify data to be used to form at least one standard documentation file, means for prompting a user to identify at least one data collector to collect the identified data, means for receiving and storing the identified data, and means for generating at least one standard documentation file.

[0013] A computer-readable medium is also provided in a further aspect, the medium comprising at least one record of identified data for forming a standard documentation file, a record of at least one identified data collector; and a plurality of rules for using the data to generate a standard documentation file.

BRIEF DESCRIPTION OF THE DRAWINGS

[0014] Figure 1 is a system block diagram.

[0015] Figure 2 is a diagram of a network based system.

[0016] Figure 3 is a flow chart diagramming one embodiment of a method of conducting due diligence.

[0017] Figure 4 is a representation of a pre-proposal information request list.

[0018] Figure 5 is a representation of a contents list for a pre-closing credit file.

[0019] Figure 6 is a representation of a typical contents list for a legal documentation file.

[0020] Figure 7 is a data diagram of a loan process flow, including due diligence.

DETAILED DESCRIPTION OF THE INVENTION

[0021] In one aspect, a method for conducting due diligence provides a standard data collection process that is efficient and consistent. The method reduces the cycle time for documentation of a transaction, reduces the potential for providing inconsistent or incomplete data to outside counsel during the documentation process and facilitates evaluation of the data gathering process as a whole.

[0022] More specifically, Figure 1 is a block diagram of a system 10 that includes a server sub-system 12, sometimes referred to herein as server 12, and a plurality of devices 14 connected to server 12. In one embodiment, devices 14 are computers including a web browser, and server 12 is accessible to devices 14 via a network such as an intranet or a wide area network such as the Internet. In an alternative embodiment, devices 14 are servers for a network of devices.

[0023] Devices 14 are interconnected to the network, such as a local area network (LAN) or a wide area network (WAN), through many interfaces including dial-in-connections, cable modems and high-speed lines. Alternatively, devices 14 are any device capable of interconnecting to a network including a web-based phone or other web-based connectable equipment. Server 12 includes a database server 16 connected to a centralized database 18. In one embodiment, centralized database 18 is stored on database server 16 and is accessed by users at one

of devices 14 by logging onto server sub-system 12 through one of devices 14. In an alternative embodiment centralized database 18 is stored remotely from server 12.

[0024] In one embodiment, server 12 is configured to identify data that will be used to form at least one standard documentation file, at least one data collector to collect the identified data and a time for collection of the identified data. Server 12 is also configured to receive and store the identified data, evaluate the effectiveness of the data collection and assemble the standard documentation file. The interface allows the user to input data and receive the standard documentation file output.

[0025] Each device 14 includes an interface for communicating with server 12, for example, a web browser. The interface allows a user to input data and to receive a standard documentation file output. A computer-based tool for conducting due diligence, as described below in more detail, is stored in server 12 and can be accessed by a user at server 12 or any one of devices 14.

[0026] Figure 2 is a detailed block diagram of a network based system 22. System 22 includes server sub-system 12 and devices 14 (both shown in Figure 1). Server sub-system 12 includes database server 16, an application server 24, a web server 26, a fax server 28, a directory server 30, and a mail server 32. A disk storage unit 34 which includes a computer-readable medium including records of data and rules for manipulating the data is coupled to database server 16 and directory server 30. Servers 16, 24, 26, 28, 30, and 32 are coupled in a local area network (LAN) 36. In addition, a system administrator work station 38, a work station 40, and a supervisor work station 42 are coupled to LAN 36. Alternatively, work stations 38, 40, and 42 are coupled to LAN 36 via an Internet link or are connected through an intranet.

[0027] Each workstation 38, 40, and 42 is a personal computer including a web browser. Although the functions performed at the work stations typically are illustrated as being performed at respective work stations 38, 40, and 42, such functions can be performed at one of many personal computers coupled to LAN

36. Workstations 38, 40, and 42 are illustrated as being associated with separate functions only to facilitate an understanding of the different types of functions that can be performed by individuals having access to LAN 36.

[0028] Server sub-system 12 is configured to be communicatively coupled to various individuals or employee users 44 and to third party users, e.g., customers, 46 via an ISP Internet connection 48. The communication in the exemplary embodiment is illustrated as being performed via the Internet, however, any other wide area network (WAN) type communication can be utilized in other embodiments, i.e., the systems and processes are not limited to being practiced via the Internet. In addition, and rather than a WAN 50, local area network 36 could be used in place of WAN 50.

[0029] In the exemplary embodiment, any employee user 44 or customer user 46 having a work station 52 can access server sub-system 12. One of devices 14 includes a work station 54 located at a remote location. Work stations 52 and 54 are personal computers including a web browser. Also, work stations 52 and 54 are configured to communicate with server sub-system 12. Furthermore, fax server 28 communicates with employee users 44 and customer users 46 located outside the business entity and any of the remotely located customer systems, including a customer system 56 via a telephone link. Fax server 28 is configured to communicate with other work stations 38, 40, and 42 as well.

[0030] A method of conducting due diligence including a standard data collection process is provided and implemented in systems 10 and 22 described above. Referring to Figure 3, a flow chart 70 for process steps executed in the present method of conducting due diligence is shown. More specifically, system 10 (shown in Figure 1) identifies 72 information or data that will be used to assemble a standard documentation file for use during the documentation stage of a transaction. In one embodiment, the data is identified 72 in accordance with a knowledge base. The knowledge base may be stored within a database. The knowledge base is used to automatically identify 72 data that will be used to form a particular documentation file for a particular deal. The knowledge base includes any data relevant to identifying 72

the appropriate data that will be used to form at least one standard documentation file. Because each transaction is somewhat different, the identified data varies by deal or transaction. Accordingly, the data may include, but is not limited to data associating specific data types to specific types of transactions. The knowledge base also includes data received during due diligence and recommendations provided by external deal teams and internal deal teams. As used herein, external deal teams are teams of persons responsible for certain aspects of the overall transaction that are not employees of the company engaging in the business transaction. Examples of external deal teams include, but are not limited to external legal counsel and external accounting firms. Data received during due diligence is discussed in more detail below.

[0031] System 10 identifies 74 a data collector. The data collector may be any person or tool suitable for collecting the identified data. In one embodiment, system 10 is configured to identify 74 a data collector in accordance with a knowledge base. A knowledge base is used to automatically identify 74 a data collector. The knowledge base is stored within a central database. In an alternative embodiment, the knowledge base includes any data beneficial to identification 74 of a data collection person or tool. The data includes data associating certain types of data with specific data collectors. For example, capital expenditure data is associated with the new customer origination deal team. The identification 74 of a data collector reduces the risk of redundant data collection and consequently the collection efforts are more efficient.

[0032] System 10 then identifies 76 a collection time in accordance with a knowledge base. A knowledge base is used to automatically identify 76 a collection time. In one embodiment, the knowledge base is stored within a central database. In an alternative embodiment, the knowledge includes any data beneficial to identification 76 of a data collection time. The data includes data associating a specific type of data with a specific collection time. For example, in commercial real estate transactions, the collection time for collection of data relating to a borrower's assets would be associated with the time of proposal acceptance. It should be

recognized, however, that time sensitive data, or data that experiences continual change, is received and stored 78 more than one time if the data changes such that it is inaccurate at the time of documentation. One example of time sensitive data is a borrower's credit rating.

[0033] After the data is identified 72, a data collector is identified 74 a collection time is identified 76, and the data is received and stored 78. In one embodiment, the data is received and stored 78 into a central database. The database includes any information relevant to the transaction including data collected during due diligence. In a specific embodiment, data may be received and stored 78 into a central database from other databases on system 10 (shown in Figure 1). After the data is collected, the data collection is evaluated 80. Data may be evaluated 80 at any stage of due diligence.

[0034] In an exemplary embodiment, data collection is evaluated 80 after each stage of the due diligence process. Such evaluation may include determining a present completion percentage of the standard documentation file, the percentage of data passed between underwriting and approval and legal, and the percentage of usable data provided by underwriting and approval. In one embodiment, evaluation 80 is accomplished by use of a microprocessor. In an alternative embodiment, evaluation 80 is accomplished manually. The term microprocessor, as used herein, refers to controllers, microcontrollers, programmable logic controllers, input/output (I/O) controllers or any other processor capable of processing for the embodiments described herein.

[0035] In one embodiment, evaluation 80 is accomplished manually. In such an embodiment, any person including a deal team leader may conduct evaluation 80. For example, underwriting may evaluate 80 the completeness of the information received from the individual internal deal teams. In a further example, underwriting evaluates 80 its own data collection efforts. In addition, after the standard documentation file is assembled 84, it is evaluated 80 for completion and accuracy.

[0036] Determination of the present completion percentage of the standard documentation file, percentage of data passed between underwriting and approval and legal, and percentage of usable data provided by underwriting and approval is determined by any known method. In one specific embodiment, the percent of completion of the standard documentation file is determined as (a number of items collected divided by a number of total items collected) * 100.

[0037] In yet another embodiment, the percentage of data passed between underwriting and approval and legal is determined as (actual number of items in the standard documentation file divided by an expected number of items in the standard documentation file) * 100.

[0038] In a further embodiment, the percent of usable data provided by underwriting and approval is determined as (actual number of accurate documentation items divided by an expected number of documentation items) * 100.

[0039] After the identified data is received and stored 78 and the data collection is evaluated 80, a standard documentation file is assembled 84. Documents relevant to a transaction are assembled 84 to form a standard documentation file. Assembling 84 is accomplished by any known means of assembling documents. Examples of known means of assembling 84 documents include, but are not limited to manual assembly, the use of a computer or computer software configured for assembling documents, the use of document generating systems or software and the use of data management software or systems.

[0040] The standard legal documentation file, in one embodiment, is assembled 84 in accordance with a knowledge base. The knowledge base is used to automatically assemble 84 the documents that form the standard documentation file. The knowledge base includes any data relevant to assembling 84 a standard legal documentation file. The data includes data associating a particular standard documentation file with documents to be included within that particular standard documentation file. For example, the knowledge base includes data associating a standard pre-closing file with an audit report, a most recent accounts receivable (A/R)

aging and data relating to the top ten customers by sales volume for the last 12 months. In an alternative embodiment, the standard documentation file is assembled 84 using data stored and received 78 within a central database.

[0041] Identified data may be received and stored 78 (shown in Figure 3) from any source. In one embodiment, discussed briefly above, identified data may be received 78 from data collected during due diligence. Typically, due diligence comprises the new customer origination, auditing, and underwriting and approval stages. In one embodiment, data received and stored 78 may include, but is not limited to, data relating to capital structure, corporate structure, marketing and industry data. Data received and stored 78 is compiled in a checklist. The checklist is a knowledge base, which includes specific data or information to be gathered during the various stages of due diligence. Descriptions set forth in Appendix A, titled Master Due Diligence Checklist, are descriptions of some of the data included within the knowledge base.

[0042] Additional information is received and stored 78 from a party to the transaction to expedite documentation. In one embodiment, additional information is any data to be included in a standard documentation file including data that is not generally collected during due diligence. A typical loan documentation questionnaire to be utilized to expedite documentation is described in Appendix B. In addition, Figure 4 is a representation of a typical pre-proposal information request list 100 that is utilized in accordance with the present embodiment to expedite documentation.

[0043] Any standard documentation file may be assembled 84 in accordance with the methods described herein. In one embodiment, a pre-closing credit file is assembled. More specifically, Figure 5 is a representation of a typical table of contents 110 for a standard pre-closing credit file that is assembled 84 (shown in Figure 3). The pre-closing credit file includes any data relevant to the pre-closing stages of the transaction. For example, the pre-closing credit file provides the foundation for a post-closing credit file.

[0044] In an alternative embodiment, a legal documentation file is assembled 84 and includes any data relevant to the legal documentation phase of the transaction. Specifically, Figure 6 is a representation of a typical table of contents 120 for a standard legal documentation file assembled 84 using system 10 (shown in Figure 1).

[0045] In one embodiment, the standard documentation file is transferred to external deal teams. In a specific embodiment, the standard documentation file is transferred to external legal counsel during an initial meeting to streamline documentation. The first meeting with external legal counsel is typically at the start of the documentation process. Standard documentation files that may be assembled 84 and transferred include a pre-closing credit file and a legal documentation file.

[0046] In a specific embodiment, after the standard documentation file is transferred to external deal teams, external deal teams evaluate 80 the effectiveness of the data collection procedures. Evaluation 80 is accomplished in the same manner of evaluating 80 discussed above. Evaluation 80 is used to improve the data collection procedures as part of the overall due diligence process.

[0047] Figure 7 is a data diagram 200 of a loan process flow, including due diligence. Referring specifically to the Figure, to begin a deal process, origination data, contact information and deal tracking information 202 is entered into a system, for example, system 10 (shown in Figure 1) or system 22 (shown in Figure 2) by a user 204, for example, a sales/marketing user. Information 202 is stored within system 10 in a database 206. Database 206 is configured to provide deal and contact information to both a data warehouse 208 and a workflow project database 210. A customer 212 has an ability to track deal activity, by inquiring to a workflow application 214 that is accessible via the internet to registered customer users. Customer 212 is able to access deal information stored in database 210. A company underwriter 216 performs auditing functions and due diligence by accessing workflow database 210 using a workflow application 218, similar to workflow application 214, but configured for underwriter users, rather than customer users.

[0048] Deal and contact information stored in data warehouse 208 and customer and underwriter supplied deal data from workflow database 210 are used to generate due diligence documents for a legal department using document generator 220. Data stored within data warehouse 208 further includes archived deal data, which is surveyed as new deals are being formed within databases 206 and 210, for historical references, perhaps on a borrower or perhaps for historical deal structuring that is useful in preparation of new deal documents.

[0049] While the invention has been described in terms of various specific embodiments, those skilled in the art will recognize that the invention can be practiced with modification within the spirit and scope of the claims.

APPENDIX A

MASTER DUE DILIGENCE CHECKLIST

Date needed	Collected	Information Required	Source	Person Responsible
		<u>BUSINESS DUE DILIGENCE</u>		
		<p>CAPITAL STRUCTURE</p> <ul style="list-style-type: none"> • Who are Creditors of Borrower • What Type of Debt (Senior, Subordinate, Convertible) • Interest Rates and Expiration Dates on other Debt • Assets Available for Security • Security held by other debt • Copy of latest Borrowing Base Certificates • Which Entity is Legally Borrower • Any Intercompany Borrowing <p>OWNERSHIP/CORPORATE STRUCTURE</p> <ul style="list-style-type: none"> • List of all Major Shareholders showing Number of Shares of each class (Common or Preferred), and whether shares are Owned by: Employees, Officers or Directors either Directly or Beneficially • Describe Any Loans or Advances To/From Owners or Employees • Legal Corporate Structure; Which Entity is Legal Borrower <p>WHAT IS THE COMPANY'S BUSINESS?</p> <ul style="list-style-type: none"> • Products / Services / Markets • Uses of Products / Services • Distribution Network • Legal Protection (Patents, Trademarks, Copyrights, etc.) • Product Emphasis • Primary Consumer • Other Distinct Characteristics <p>WHAT IS THE HISTORY OF THE COMPANY?</p> <ul style="list-style-type: none"> • Incorporation Date • Founders • Current Organization Charter • Certificates of Articles of Incorporation and by-laws of the Company and each of its Subsidiaries • Product Development / Technological Advances • Material Changes in Customers / Management • Relocations • Key Growth Stages • Previous Changes in Ownership • Increases / Decreases in Employment • Changes To Strategic Direction • Significant Construction of Facilities, Purchase Of Equipment Business, Acquisitions / Divestitures • Review Discontinued Operations, if any 		Originator

MASTER DUE DILIGENCE CHECKLIST

Date Needed	Collected	Information Required	Source	Person Responsible
		<p>WHAT ARE COMPANY STRENGTHS?</p> <ul style="list-style-type: none"> • Determine what Management feels to be their Products Strong Points • Consistent Profitability • Low Cost Producer • Strong Market Position / Niche Position • Strong Sales Force / Distribution • Strong Management Team - Track record • Product Image / Quality / Brand Identity • Leadership in Innovative Design • Excellent Manufacturing Facility and Labor Force • Strong Customer Base • Sales Growth <p>WHAT ARE COMPANY WEAKNESSES?</p> <ul style="list-style-type: none"> • Determine what Management feels to be their Products Weaknesses • Profitability • General Management • Asset Management • Company Size • Growth Potential <p>DETAILED DESCRIPTION OF PRODUCT (OR SERVICE)</p> <ul style="list-style-type: none"> • Basis of Competition / Competitors • Potential For Obsolescence • Need for Product Line • Sales Brochures and Other Descriptive Information <p>SIGNIFICANT NEW PRODUCTS</p> <ul style="list-style-type: none"> • New Products Recently Developed • New Products in Developmental Stage • Prototype and Full Stage Production Schedules • 3-Year Projections of Sales and Profit of New Product • Projected Competition • Impact on Short Term Cash Flow • Relative Advantages of New Product • Capital Expenditures and Patent Coverage For New Products • Estimated Percentage of Current Year's Sales Accounted for by Products Introduced By The Company Within The Past Five Years <p>MAJOR CUSTOMERS (ALSO SEE AUDIT-A/R)</p> <ul style="list-style-type: none"> • Description of Typical Customer • Special Arrangements Given To Any Customer • Customers Served By in-house Salesmen Vs. Outside 		

MASTER DUE DILIGENCE CHECKLIST

Date Needed	Collected	Information Required	Source	Person Responsible
		<p>Distributors or Outside Representatives</p> <ul style="list-style-type: none"> • Existence of Major or Government Contracts • Backlog Reports for current month and Same Period Last Year • Non-Arm's-Length Transactions <p>SUPPLIERS</p> <ul style="list-style-type: none"> • Top 10 Suppliers • Major Suppliers and Alternative Sources for Materials • Financial Condition of Major Suppliers • Procedures to Evaluate Supplier Performance • Future Availability of Material Needs • Trend for Past Three Years • "Special" Buying Arrangements • Raw Materials or Products Supplied • Effect of Volatile Raw Materials Costs on Product Pricing • Recent Trends of Principal Materials Used in Production • Contractual Supply Arrangements • Capacity Constraints • Long Term Commitments for Materials • Percent of Supplies Imported vs. Domestic • Sources and Availability of Utilities, and prospects for increases in the Costs of Utilities <p>MARKETING</p> <ul style="list-style-type: none"> • Methods of Distribution • Number of Sales People and Compensation • Names and Location of Distributors • Amount of Business Done by Each Distributor • Company and Industry Pricing Policies • Cyclicalities • Product Life Cycle • Geographic Areas • Any Marketing Studies with respect to Industry, Company Acquisitions or Divestitures within the last two years • Price Trends for Major Products/Services <p>PRODUCTION-QUALITY OF PRODUCTS / SERVICES</p> <ul style="list-style-type: none"> • Built-in Control • Inspection Controls • Production Statistics For Substandard Vs. Deliverable Products • Product Return Experience • Describe Product Warranty Provisions and Procedures <p>FACILITIES</p> <ul style="list-style-type: none"> • Addresses • Sizes 		

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Date Needed	Collected	Information Required	Source	Person Responsible
		<ul style="list-style-type: none"> • Collateral Value of Assets at each site • Terms of Lease or Mortgage • Age of Location • Options for Renewal • Description of Facilities • Process: Manufacturing or Assembly • Functional Capacity Per Plant and Existing Usage • Availability For Expansion • Prior Appraisals • Maintenance Policy • Significant Long Term Leases • Closed Facilities or Excess Property or Equipment that Should be Disposed of and Approximate Market Value • Restrictions on the Sale of Property subject to Credit, Mortgage, Lien, Pledge or Other Encumbrances <p>EXPANSION/DOWNSIZING PLANS</p> <ul style="list-style-type: none"> • Projected Expenditures For New Facilities, Equipment, Products, and People • Amount and Timing of Expenditures • Historical Capital Expenditures • Number of Stores Closing & Projected Cost Savings <p>RESEARCH AND DEVELOPMENT</p> <ul style="list-style-type: none"> • Historical Expenditures • Results For Past Three Years • Estimates For Next Three Years • Qualifications of Personnel Involved • Facilities Utilized • Number and Value of Patents Involved • Number Of Patents Pending Due to Research and Development • Warranty Expense History <p>MANAGEMENT FACTS</p> <ul style="list-style-type: none"> • Names of President, Vice President, General Managers, Plant Managers, and Department Heads, with Addresses, Ages, Background, Affiliations and Responsibilities • List of top 10 Compensated Employees for previous years • Lines of Succession Plans • Compensation: How much and How determined, Fringe Benefit Programs • Salary Increases over the last three fiscal years, over 10 % • Depth of Management • Industry Reputation • Moral of Management • Ages • % Ownership • Length of Time With Company 		

MASTER DUE DILIGENCE CHECKLIST

Date Needed	Collected	Information Required	Source	Person Responsible
		<ul style="list-style-type: none"> • Resumes of Key People, Including Education and Work Experience • Copy of Employment Contracts for Key Management Employees, if any • Nepotism, and Age of Employee • Incentive Plans • List all Employee and Severance Agreements, Management and Consulting Contracts • Any Management Incentive Plans, Perquisites, Contracts or arrangements, including any Non-Qualified arrangements, Stock Options, Retirement Plans and Vacations • Minutes of Stockholders, Directors, Audit Committee and Finance Committee Meetings <p>MANAGEMENT INFORMATION SYSTEMS</p> <ul style="list-style-type: none"> • Describe Reporting Process/Frequency (Financial/Operational) • Degree of Sophistication <p>EMPLOYEE RELATIONS</p> <ul style="list-style-type: none"> • Percent Union Vs. Non-Union • Turnover Rate • Local Labor Market • Technical Requirements • Compensation System, the number of shifts in operation, Regular Hours and Overtime Hours incurred • Fringe Benefits • Pension Funds Costs and Funding Status • Profit-sharing Contributions • Comparative Wage Scales and Fringe Benefits • Status of Existing Union Contracts, if any • Major Terms of Union Contracts • History of Union Disputes / Work Interruptions • Years in which Major Labor Contracts Expire • Pressures for Significantly Upward Labor Adjustments • Hourly Rates Compared to Significant Competitors <p>ENVIRONMENTAL</p> <ul style="list-style-type: none"> • What Company believes to be its Principal Environmental and Occupational Safety and Health Liabilities and how they are being managed • Investments made by Company's budget for Environmental matters • Investments made to Respond to Environmental Concerns • Any Environmental Audits 	<p>Reports Articles, Catalogs</p>	

MASTER DUE DILIGENCE CHECKLIST

Date needed	Collected	Information Required	Source	Person Responsible
		<p>GENERAL</p> <ul style="list-style-type: none"> • All Public Filings within last Two Years • List of Names, Addresses and Telephone numbers of In-house and Outside Legal Council, Insurance Agents & CPA's • Any Similar Companies in GECS Portfolio • Any Liquidations done in Co.'s Industry • Conflicts of Interest Concerns • Inter-corporation Holdings • Factors Critical to Co.'s Profits including: Product Demand, Competition, Raw Materials, etc. • Quantify the Amount of Material, Labor and Overhead in the Co.'s Product/Services • All Material Operating Licenses, Permits, consents and Patents, with expiration period • Recent Property Appraisals, Tax Assessments, Valuations, and Relation to Original Costs • Identify Principal Methods of Product Distribution • Company Proxy Materials during last 5 years, if any • Agreements with Investment Bankers, Finders, etc. with respect to proposed transactions • Unusual Business Practices inherent within Industry including: Historical and Projected Growth and Profitability, Stability, Regulatory Environment, Competition from Outside the Industry, Internal Industry Competition, Patents or other Property Rights, New Technology or Manufacturing Processes, Marketing Strategies; Product Acceptance and Customer Service, Labor Relations, Seasonality and Integration within Industry <p><u>INDUSTRY DATA</u></p> <p>INFORMATION ON MAJOR COMPETITORS</p> <ul style="list-style-type: none"> • Names • Addresses • Ownership • Size / Growth • Financial Strength • Nature of Products • Comparative Prices and Description of Quality • Method of Distribution • Advantages of Seller's Products / Services • Market Value Information Where Publicly Owned • Potential Competition on Short Term or Long Term Basis • Geographical Breakdown of Competition • Competitive Strengths / Weaknesses • Acquisition Orientation • Market Shares / Trends • Robert Morns data for industry 		
				<p>Check with origination before requesting information in these sections</p> <p>.</p> <p>.</p> <p>.</p> <p>.</p> <p>.</p> <p>.</p> <p>.</p> <p>.</p> <p>.</p> <p>.</p>

MASTER DUE DILIGENCE CHECKLIST

Date Needed	Collected	Information Required	Source	Person Responsible
		<ul style="list-style-type: none"> • Multiples for Similar Companies • Significant trends within Industry • Major Competitors within Industry • Barriers to Competitors • Any Unusual Business Practices Inherent within the Industry • Major Opportunities or Problems that are being addressed in the Marketplace • Identify the Standard Industry Code (SIC) of the company • Key Business and Industry Ratios <p>INDUSTRY TRENDS AND DEVELOPMENTS</p> <ul style="list-style-type: none"> • Critical Success Factors • Industry Consolidation/Expansion - Reasons and Examples • Relationship of Foreign Competition to Domestic Competition-Joint Ventures • Current/Potential Advantage of Foreign Competition • Pricing Structure of Industry • Methods of Distribution • Demographic Changes • Pricing Policies • Industry Capacity and Usage • Availability and Cost Projections of Raw Materials • Studies and Analysis of Industry Completed During Past 3 Years • Government Activity In Industry-Regulations, Assistance Subsidies, and Research Sponsored Programs • Substitute Risk • Technological Risk <p style="text-align: center;"><u>OTHER LIABILITIES, OBLIGATIONS</u></p> <p>CONTINGENT LIABILITIES</p> <ul style="list-style-type: none"> • EPA, Results of Phase I • Guarantees • Commitments and Understandings - Written and Oral • Equipment and Other Off-Balance-Sheet Financing • Terms • Amounts/Costs of Regulatory Issues • Penalties • Conditions • Copies of any Product Warranties and Method of Accruing Warranty Expense • Report/Analysis of Estimated Costs Related to Regulatory Issues, if any <p>LITIGATION (ALSO SEE LEGAL DUE DILIGENCE)</p> <ul style="list-style-type: none"> • Existing Litigation/Attorney Rep Letters for Last 2 Years • Plaintiff/Defendant 		.

MASTER DUE DILIGENCE CHECKLIST

Date eeded	Collected	Information Required	Source	Person Responsible
		<ul style="list-style-type: none"> • Amount • Progress of Lawsuit • Estimated Date for Past Litigation during Past 5 Years • Pending or threatened Lawsuits • List of Pending and Attorney Representation Letters for the Last 2 years <p style="text-align: center;"><u>STRATEGIC PLAN</u></p> <p>OPPORTUNITY ASSESSMENT</p> <ul style="list-style-type: none"> • Business Plan review • New Product Review • Acquisition Opportunities • Idle/Excess Assets Available for Sale • Strategic Plans or Business Plans to determine matters the Company has identified as problems • Profit Improvement Plans • Key Factors in Achieving Productivity Increases <p>RISK ASSESSMENT</p> <ul style="list-style-type: none"> • Review of Potential Threats • Existing Contingency Plans • Additional Contingency Steps • Ability to Divest Assets, Entities <p style="text-align: center;"><u>FINANCIAL DATA</u></p> <p>PAST AND CURRENT OPERATING STATEMENTS</p> <ul style="list-style-type: none"> • Financial Statements for Past 5 Years by Subsidiary or Division • Current Interim Financials vs. Last Year Interim • Abnormal Non-recurring Income and expense Figures • Corporate Allocation Breakdown • Month-By-Month Financials Last 2 Years • Cost of Sales Breakdown by Component • Historical Capital expenditures and Depreciation • Sales by Product Line • Analysis of Acquisition • Projected financial statements and underlying assumptions for the next three years • CAPEX Analysis • Current Ratio • Net Working Capital • Inter-company Balances • Intangibles • Three year Historical Summary of Foreign and Domestic Sales and Margins • Cost of Sales by Product or Division • Tax benefits (NOL) 		<p>Originator</p> <p>Originator</p> <p>Originator</p>

MASTER DUE DILIGENCE CHECKLIST

Date Needed	Collected	Information Required	Source	Person Responsible
		<p>BACKLOG DATA</p> <ul style="list-style-type: none"> • Current Backlog data Itemized by Major Customer and Product • Major Variances <p>PROJECTED FINANCIALS</p> <ul style="list-style-type: none"> • Controls for Operating and Capital Budgeting, Responsibility Reporting and Forecasting • Monthly Cash Flow Projections • Assumptions Underlying all Projections • P&L Projections by Product Line and/or Service • Expenses by Product Line and/or Service • Cash Flow, Balance Sheet and Availability and Capital Expenditures on Monthly Basis for First Year and Yearly thereafter • Most Likely and Downside Scenarios for above • Capital Expenditure, Major Asset Dispositions and Repair and Maintenance Budgets and a Description of Significant Planned Expenditures for the Projected Years <p><u>AUDIT CHECK LIST</u></p> <p>CASH</p> <ul style="list-style-type: none"> • Description of the cash management and treasury functions and flow of funds • List of all bank account (including lock boxes) detailing purpose, date opened and account number • Bank reconciliations and supporting bank statements for the main operating accounts for the last three months • Copies of Signature Cards of Authorized Signers for each Bank Account • Schedule of all Marketable Securities held as of the latest Month end Close <p>ACCOUNT RECEIVABLE</p> <ul style="list-style-type: none"> • Detail Terms of Sales and Discounts • Detailed "Other" Receivable • Accounts receivable summary for the last 12 months and most recent detailed aging • Bad debt write-offs and charges to the reserve for the last 24 months • Dilution for Last 5 years • Accounts receivable aging reconciliation to the general ledger for the most current month • Top 10 customers with current receivable balance aged • Top 10 customers with YTD and prior year sales 		<p>Check with Originator before requesting any information in this section</p>

MASTER DUE DILIGENCE CHECKLIST

Date Ieded	Collected	Information Required	Source	Person Responsible
		<ul style="list-style-type: none"> • Analysis of past dues for the most current period • Descriptions of the revenue recognition, billing, credit and collection policies • List of all Customers with Extended Terms • Schedule of any product that has been billed but not delivered for the past twelve months <p>INVENTORY</p> <ul style="list-style-type: none"> • Vendor Terms • Manufacturing Cycle • Current Inventory Compared with Year Ago figures Broken Down by Raw Materials, Work in Process, Finished Goods • Inventory by Product Line • Length of Time Finished Products have been in Inventory • Work-In-Process Turnover • Total Inventory Turnover • Monthly Gross Margin Analysis • Schedule of Customized, Specialized or Limited Production Inventory as of the latest month end close • Description of inventory systems • Perpetual inventory report for the current period • Aged inventory report for the current period and last year end • Inventory, by month, by category for the past 12 months • List of inventory locations with current dollar and unit inventory (sorted by inventory type) and ownership/lease information for location • Gross margin by inventory category/product lines for the current period and last year end • Book-to-physical inventory adjustments for the past 12 months • Inventory reconciliation to the general ledger for the current year • Inventory obsolescence and write-off policy • Schedule/Reports calculating Slow-moving, Excess and Obsolete Inventory as of the latest month close • Methodology for cost accounting, description of standard cost system (process or job order costing) • In Transit Inventory • Consigned Inventory • Any Buyback Agreements with Vendors • Purchase and Return policy detail with Manufactures/Vendors • Landlord Waivers Necessary? • Method of Inventory Costing • Physical Inventory Count Results • Historical Surplus/Deficit Adjustments • Discussion of Anticipated or Actual Reserves in the Inv. Value 		<p>Originator</p> <p>Check with Originator before requesting information from IA</p>

MASTER DUE DILIGENCE CHECKLIST

Date Needed	Collected	Information Required	Source	Person Responsible
		<p>FIXED ASSETS</p> <ul style="list-style-type: none"> Any Prior/Current appraisals of M&E and R/E (FIRREA basis appraisals, if available) Fixed asset ledger for current year, including Original Costs, Gross Depreciation, Depreciated Carrying Value, and Date of Acquisition Description of capitalization policy Annual repairs and maintenance expense for the past five years List of all facilities (owned and/or leased) including: address, size, capacity, utilization and current appraisal Listing of all Material Real Estate and Asset Holdings by Legal Entity Including: Owned w/Appraisals or Leased w/Terms, Location, Brief Description, Detail on Retail Facilities and Distribution Centers <p>ACCOUNT PAYABLE</p> <ul style="list-style-type: none"> Vendor Purchasing History Accounts payable aging for grower and other trade payable for the current period Reconciliation of aging to the general ledger for the current month Accounts payable turnover statistics for the last 12 months List of top 10 suppliers and purchase terms Monthly aging comparative analysis for the past 2 fiscal years Schedule of all Letters of Credit, including purpose Monthly roll forward of Accounts Payable for past 2 fiscal years Schedule of Notes Payable as of the latest month end close Schedule of Accounts Payable converted to Notes Payable <p>OUTSTANDING DEBTS</p> <ul style="list-style-type: none"> Creditors Amount of Note, Terms Contingent Liabilities Outstanding Warranties and Guarantees <p>INSURANCE COVERAGE</p> <ul style="list-style-type: none"> Description of Coverage Premiums Deductibles Expiration of Coverage Potential Renewal Problems Five year History of any losses or Settlements to include 		

MASTER DUE DILIGENCE CHECKLIST

Date needed	Collected	Information Required	Source	Person Responsible
		<p>Product Liability, Workman's Compensation and the like programs</p> <p>TAXES</p> <ul style="list-style-type: none"> • Effective Tax Rate? • Federal Taxes - Any Years Still Open? • State and Franchise Taxes Current? • Any Significant Foreign Taxes? • Any Potential Areas of Exposure? <p>GENERAL</p> <ul style="list-style-type: none"> • Management letters prepared by the external auditors for the last two years • Discussion with external auditors and review of workpapers • List of internal audit reports generated the last two years and copies of selected internal audit reports • Copy of the General Ledger Chart of Accounts <p><u>LEGAL DUE DILIGENCE</u></p> <ul style="list-style-type: none"> • Existing Intercreditor and Subordination Agreements (see Bus. D.D./R&D) • Patent Filings Necessary? (see Bus D.D.) • Assignment of Claim Forms Necessary? • Transactions with Affiliates (see Bus. D.D./R&D) • Certificate of Incorporation and By-laws • List of All Jurisdictions in which Co. is Authorized to do Business • List of All Corporations, Partnerships and other Business Entities Directly or Indirectly Controlled by Each Co. and Respective Capitalization of Each Co. Including Identification of Minority Interests and Agreements to Sell or Issue any Capital Stock in any Such Entities • List of all Capital Stock and other Securities held by the Co. and a list of all Ownership Interests held by any of the Co.'s in any Business (see Bus. D.D.) • A list of all Corporate Names, Trade Names, Fictitious Names or other Names Under the Co. has done Business at any time During the past 5 years • All Guarantees and Indemnification Arrangements made by or in favor of any of the Co.'s • All Agreements (Including Intercreditor Agreements and Mortgages) Relating to or Creating Liens, Security Interests or Encumbrances on any Assets • All Non-Competition Agreements and Similar Agreements Restricting any of the Co.'s • All Employment, Consulting, Deferred Compensation, Bonus, Severance, Profit Sharing, Stock Option or Similar Plans or Agreements Affecting any Employee (see Bus 		

MASTER DUE DILIGENCE CHECKLIST

Date Lead	Collected	Information Required	Source	Person Responsible
		<p>D.D.)</p> <ul style="list-style-type: none"> • All Agreements made Terminable or the Terms of Which may be Altered Upon a Change of Control • All Contracts Not in the Ordinary Course of Business • All Agreements with any Member of Senior Management (see Bus D.D. - Management) • All Supply Agreements • All Trust Agreements • Copies of all Insurance Policies in Force • A list of all Material Permits, Licenses, Consents and Authorizations Required to Conduct the Business • Copies of all Reports, Including any Existing Phase 1 or Phase 2 Reports, Records and Correspondence with Respect to Environmental Permits, Conditions, Claims, Hazards or Compliance • List of All Real Property Owned or Leased and the Address and Description of Each such Location Stating Whether such Location is Owned or Leased • List of all Locations at Which Inventory of any of the Credit Parties is Maintained • The Address of the Principal Place of Business and Chief Executive Office • Copies of all Tax Returns for the Last Three Years • All Federal Taxpayer Identification Numbers • All Benefit Plans and all Amendments thereto • For each Benefit Plan, the most recent (i) IRS Form 5500 or 5500-C, (ii) Summary Plan Description and any Material Modifications thereto, (iii) Annual Report, (iv) Trust Agreement, (v) Actuarial Valuation Report, if any, and (vi) Actuarial Study of the Liabilities for Post-Employment Medical or Life Benefits, if any • List of All Outstanding Awards and the Recipients thereof under each such Plan • All Material Communications to or from the IRS, the Department of Labor or the Pension Benefit Guaranty Corporation relating to any Benefit Plan • List of all Trademarks, Tradenames, Copyrights and Patents owned • All Licenses, Franchise or other Agreements Relating to Trademarks, Tradenames, Copyrights, Patents, Technology, Know-how, Processes, and any Employee Trade Secret and Nondisclosure Agreements • Copies of all Management Letters Delivered During the past two years from Independent Public Accountants • Copies of all Filings and Correspondence with the Securities and Exchange Commission made during the past Twelve Months 		

APPENDIX B

LOAN DOCUMENTATION QUESTIONNAIRE

In an effort to make the documentation process as efficient as possible, please complete/compile the following information. A quick response and accurate completion can save both time and closing costs. Please submit the following upon acceptance of GE Capital's Commitment.

1) Please complete a corporate/shareholder chart substantially in the form of Exhibit "A"

2) Submit Certificates of Incorporation and By-laws for all borrowers.

3) List all Jurisdictions in which companies are authorized to do business in:

4) The Corporation is authorized to transact business as a foreign corporation in the following states:

5) Provide copies of insurance policies in force.

6) Provide copies of all reports, including any Existing Phase 1 or Phase 2 Reports, Records and Correspondence with respect to environmental permits, conditions claims hazards or compliance.

7) If proceeds are financing an acquisition, Please supply the following:

Sellers Legal Name: _____
Type of Corporation: _____
Charter State: _____
EIN: (if known) _____

8) The Corporation uses and owns the following trade names or trade styles:

9) Please complete the following schedules:

B. EXISTING LENDERS: PLEASE provide the full legal name of existing lenders, the entities which are borrowers or guarantors, their collateral, and approximate payoff amount at the targeted closing date.

Prior Lenders Full Legal Name	Collateral	Estimated Payoff Amount at Closing
For Example: First Target Bank	Blanket lien on all assets	\$ 8,000,000

Prior Lenders Full Legal Name	Collateral	Estimated Payoff Amount at Closing

ARE THERE ANY EXISTING INTERCREDITOR AGREEMENTS? ____ Yes ____ No. IF YES, PLEASE PROVIDE A COPY.

PLEASE SUBMIT COPY OF EXISTING LOAN AGREEMENT (IF NOT PREVIOUSLY PROVIDED).

C. DOCUMENT DISTRIBUTION: List the name, address, title, telephone number and fax number of each person (including outside counsel) who is to receive draft documents.

Name/ Title	Address	Phone	Fax
For Example: John Doe (President)	100 Foxriver Drive Anywhere, NY 10070	(208) 388-9991	(208) 388-9988
Hope & Hope Attn: John Hope, Esq. (Outside Counsel)	100 Esquire Drive Anywhere, NY 10070	(208) 388-1000	(208) 388-2000

Name/ Title	Address	Phone	Fax

D. **GUARANTORS:** Please list all guarantors (individuals or corporations) required by GE Capital.

Name	Address for Notices	Phone for Notices	Fax for Notices
For Example: John A. Doe (Principal)	100 Dearborn Drive Anywhere, NY 10070	(208) 388-8888	(208) 388-8999
Acme Holding Co., Inc. (Parent Co.)	100 Foxriver Drive Anywhere, NY 10070	(208) 388-9999	(208) 388-9988
Acme Distribution Corp. (Sister Co.)	100 Sales Office Drive Anywhere, NY 10070	(208) 388-9999	(208) 388-9988

Name	Address for Notices	Phone for Notices	Fax for Notices

E) SIGNORS: List the full name and title of person signing the loan documents (usually the President or Chief Executive Officer).

Legal Name/ Position	Address
For Example: John A. Doe	President of Acme, Inc. (Borrower)
Peter J. Smith	President of Acme Holding Co., Inc. (Parent)
John A. Doe	President of Acme Distribution Corp. (Sister Affiliate)

Legal Name/ Position	Address

F) SECRETARIES: LIST the legal name of the Secretary of the Borrower(s) and other Credit Party(s).

Company Name	Secretary's Full Legal Name
For Example: Acme, Inc. (Borrower)	Adam A. Smith
Acme Holding Co., Inc. (Guarantor)	John A. Hancock
Acme Distribution Corp. (Guarantor)	Samuel Adams

Company Name	Secretary's Full Legal Name

G) LANDLORD AND MORTGAGEE WAIVERS: LIST the address (including county) of each location where the Borrower and the other Credit Parties have an office, warehouse, operational plant, sales office, etc. (including all locations where collateral is kept or stored) and include the legal name of the landlord, the mortgagor (if the property is owned), or warehouseman (if a warehouse).

LOCATION ADDRESS	COUNTY	TYPE	NAME AND ADDRESS OF LANDLORD/MORTGAGOR/WAREHOUSE
For Example: 100 Foxriver Drive Anywhere, NY 10072	Kings County	Borrower's Corporate Headquarters (leased property)	Landlord: Office Realty, Ltd. 100 Leasehold Drive Anywhere, NY 10070 Attn: Robert A. Jones, Manager Phone: (208) 389-1000 Fax: (208) 389-2000
100 Storage Drive Supplytown, PA 90070	Queens County	Borrower's Inventory Storage (owned property)	Mortgagor: GE Capital Commercial Real Estate 100 Fee Simple Drive Stamford, CT 06927 Attn: Thomas Jefferson Phone: (203) 357-3700 Fax: (203) 357-3900
100 Tiger Drive Someplace, NY 10082	Westchester County	Acme Distribution Corps. sales office (leased property)	Landlord: Fee Simple Realty Corp. Tittletown, PA 90070 Attn: Andrea Bocelli, Manager Phone: (215) 398-8000 Fax: (215) 398-9000

LOCATION ADDRESS	COUNTY	TYPE	NAME AND ADDRESS OF LANDLORD/MORTGAGOR/WAREHOUSE

H.) Bank ACCOUNTS: List depository accounts which will function as the blocked and/or lockbox accounts for the Borrower.

ACCOUNT NAME/ACCOUNT #ABA	CONTACT PERSON BANK MAILING ADDRESS	PHONE #	FAX #
i.s. "Acme Lockbox Account" Account No. 60-232-854 ABA No. 011-001-033	Doris Adams Bankers Trust Company 1 Bankers Trust Plaza New York, NY 10015	212-952-4182	212-958-7083

ACCOUNT NAME/ACCOUNT #ABA	CONTACT PERSON BANK MAILING ADDRESS	PHONE #	FAX #

WHAT IS CLAIMED IS:

1. A method for operating a computer to conduct due diligence, said method comprising:

prompting a user to identify data to be used to form at least one standard documentation file;

prompting a user to identify at least one data collector to collect the identified data;

receiving and storing the identified data; and

generating at least one standard documentation file.

2. A method according to Claim 1 wherein said step of prompting a user to identify data to be used further comprises the step of identifying a time for collection of the identified data.

3. A method according to Claim 1 wherein said step of receiving and storing the identified data further comprises the step of storing the data in a database.

4. A method according to Claim 1 wherein said step of receiving and storing the identified data further comprises the step of evaluating the effectiveness of collection of the identified data.

5. A method according to Claim 4 wherein said step of evaluating the effectiveness of collection comprises the step of determining a percentage of completion of the standard documentation file.

6. A method according to Claim 5 wherein the percentage of completion is determined according to $(\text{number of items collected} / \text{number of total item collected}) * 100$.

7. A method according to Claim 1 wherein said step of receiving and storing the identified data comprises the step of receiving the identified data from data collected during one of customer origination, auditing and underwriting and approval.

8. A method according to Claim 1 wherein said step of assembling at least one standard documentation file comprises the step of generating at least one of a pre-closing credit file and a legal documentation file.

9. A method according to Claim 1 further comprising the step of transferring at least one standard documentation file to external deal teams.

10. A method according to Claim 4 wherein said step of evaluating the effectiveness of collection of the identified data comprises the step of determining at least one of a percent of data passed between underwriting and legal, a percent of usable data provided by underwriting and approval and a present percent of completeness of the standard documentation file after each stage of due diligence.

11. A method according to Claim 10 wherein the percent of data passed between underwriting and approval and legal is calculated according to (actual number of items in the standard documentation file divided by an expected number of items in the standard documentation file) * 100.

12. A method according to Claim 10 wherein the percent of usable data provided by underwriting and approval is calculated according to (an actual number of accurate documentation items divided by an expected number of documentation items) * 100.

13. A method according to Claim 1 wherein said step of receiving the identified data comprises the step of receiving the identified data via at least one of the Internet and an Intranet.

14. A computer programmed to:

prompt a user to identify data to be used to form at least one standard documentation file;

prompt a user to identify at least one data collector to collect the identified data;

receive and store the identified data; and

generate at least one standard documentation file.

15. A computer according to Claim 14 wherein to prompt a user to identify data to be used, said computer displays a computer generated screen prompting the user to identify a time for collection of the identified data.

16. A computer according to Claim 14 configured to receive the identified data and store the identified data in a database.

17. A computer according to Claim 14 configured to evaluate the effectiveness of collection of the identified data by determining a percentage of completion of the standard documentation file.

18. A computer according to Claim 17 wherein the percentage of completion is determined according to $(\text{number of items collected} / \text{number of total item collected}) * 100$.

19. A computer according to Claim 14 wherein for a standard documentation file said computer configured to generate at least one of a pre-closing credit file and a legal documentation file.

20. A computer according to Claim 17 wherein to evaluate the effectiveness of collection of the identified data, said computer is configured to determine at least one of a percent of data passed between underwriting and legal, a percent of usable data provided by underwriting and approval and a present percent of completeness of the standard documentation file after each stage of due diligence.

21. A computer according to Claim 20 wherein said computer is configured to calculate the percent of data passed between underwriting and approval and legal according to (actual number of items in the standard documentation file divided by an expected number of items in the standard documentation file) * 100.

22. A computer according to Claim 20 wherein said computer is configured to calculate the percent of usable data provided by underwriting and approval according to (an actual number of accurate documentation items divided by an expected number of documentation items) * 100.

23. A database comprising:

data corresponding to at least one identified data collector;

data corresponding to a time for collection of identified data for a standard documentation file; and

data corresponding to the standard documentation file.

24. A database according to Claim 23 further comprising data corresponding to an evaluation of the effectiveness of collected data.

25. A database according to Claim 23 wherein said data corresponding to the standard documentation file comprises data documenting a transaction.

26. A database according to Claim 23 wherein said data corresponding to the standard documentation file comprises data provided by external deal teams and internal deal teams.

27. A database according to Claim 23 further comprising data corresponding to a percent completion of the standard documentation file.

28. A database according to Claim 23 wherein said data corresponding to the standard documentation file comprises at least one of data

associating a pre-closing file with an audit report, data regarding accounts receivable aging and data relating to a top ten customers by sales volume.

29. A database according to Claim 23 further comprising data corresponding to a due diligence checklist.

30. A system for conducting due diligence, said system comprising:

a database comprising data corresponding to a due diligence checklist;

a server configured to prompt a user to identify data that will be used to form at least one standard documentation file, identify at least one data collector to collect the identified data and to identify a time for collection of the identified data.

31. A system according to Claim 30 wherein said server configured to receive and store the identified data, evaluate the effectiveness of collection of the identified data and assemble the data into a standard documentation file stored in said database.

32. A system according to Claim 31 wherein said server is configured to evaluate the effectiveness of collection of the identified data by determining one of present percent of completeness of the standard documentation file, percent of data passed between underwriting and approval and legal and the percent of usable data provided by underwriting and approval.

33. A system according to Claim 32 wherein said server is further configured to determine a percent of completeness of the standard documentation file according to $(\text{number of items collected} / \text{number of total item collected}) * 100$.

34. A system according to Claim 32 wherein said server is further configured to determine a percent of data passed between underwriting and approval and legal according to $(\text{actual number of items in the standard documentation file} / \text{divided by an expected number of items in the standard documentation file}) * 100$.

35. A system according to Claim 32 wherein said server is further configured to determine a percent of usable data provided by underwriting and approval according to (an actual number of accurate documentation items divided by an expected number of documentation items) * 100.

36. A system according to Claim 30 wherein said server is configured for assembling at least one standard documentation file using one of a document generating system or software and a data management software or system.

37. A system according to Claim 30 wherein said server is configured for assembling one of a pre-closing credit file and a legal documentation file.

38. A system according to Claim 30 wherein said server is configured to receive data via at least one of the Internet and an Intranet.

39. A system according to Claim 30 wherein said server is configured to receive and store the data from data collected during one of customer origination, auditing and underwriting and approval.

40. A system according to Claim 30 wherein said database comprises at least one of data corresponding to at least one identified collector, data corresponding to a time for collection of identified data for a standard documentation file, and data corresponding to the standard documentation file.

41. A system according to Claim 40 wherein said database comprises data corresponding to an evaluation of effectiveness of collected data.

42. A system according to Claim 40 wherein said database comprises data corresponding to a percent completion of the standard documentation file.

43. A system according to Claim 40 wherein said data corresponding to the standard documentation file comprises data associating a pre-

closing file with an audit report, data regarding accounts receivable aging and data relating to a top ten customers by sales volume.

44. A method for conducting due diligence, said method comprising the steps of:

selecting, from an electronic interface, data to be used to form at least one standard documentation file;

selecting, from the electronic interface, at least one data collector to collect the data; and

requesting, from the electronic interface, a standard documentation file.

45. A method according to Claim 44 further comprising the step of selecting, from the electronic interface, a time for collection of identified data.

46. A method according to Claim 44 further comprising the step of requesting, from the electronic interface, an evaluation of effectiveness of the collection of the identified data.

47. A method according to Claim 46 wherein an evaluation of effectiveness comprises determining a percentage of completion of the standard documentation file.

48. A method according to Claim 44 wherein said step of requesting a standard documentation file comprises the step of requesting, from the electronic interface, at least one of a pre-closing credit file and a legal documentation file.

49. A method according to Claim 44 further comprising the step of requesting, from the electronic interface, that at least one standard documentation file be transferred to external deal teams.

50. Apparatus comprising:

means for prompting a user to identify data to be used to form at least one standard documentation file;

means for prompting a user to identify at least one data collector to collect the identified data;

means for receiving and storing the identified data; and

means for generating at least one standard documentation file.

51. Apparatus according to Claim 50 wherein said means for prompting a user to identify data to be used further comprises means for prompting a user to identify a time for collection of the identified data.

52. Apparatus according to Claim 50 wherein said means for receiving and storing the identified data further comprises means for storing the data in a database.

53. Apparatus according to Claim 50 wherein said means for receiving and storing the identified data further comprises means for evaluating the effectiveness of collection of the identified data.

54. Apparatus according to Claim 53 wherein said means for evaluating the effectiveness of collection comprises means for determining a percentage of completion of the standard documentation file.

55. Apparatus according to Claim 50 wherein said means for generating at least one standard documentation file comprises means for generating at least one of a pre-closing credit file and a legal documentation file.

56. Apparatus according to Claim 50 further comprising means for transferring at least one standard documentation file to external deal teams.

57. A computer-readable medium, comprising:

at least one record of identified data for forming a standard documentation file;

a record of at least one identified data collector; and

a plurality of rules for using the data to generate a standard documentation file.

58. A computer-readable medium according to Claim 57 further comprising a record identifying a time for collection of the data.

59. A computer-readable medium according to Claim 57 further comprising a plurality of rules for evaluating effectiveness of collection of identified data.

60. A computer-readable medium according to Claim 57 further comprising a plurality of rules for determining a percentage of completion of a standard documentation file.

61. A computer-readable medium according to Claim 57 wherein said rules for generating a standard documentation file comprises rules for generating at least one of a pre-credit closing file and a legal documentation file.

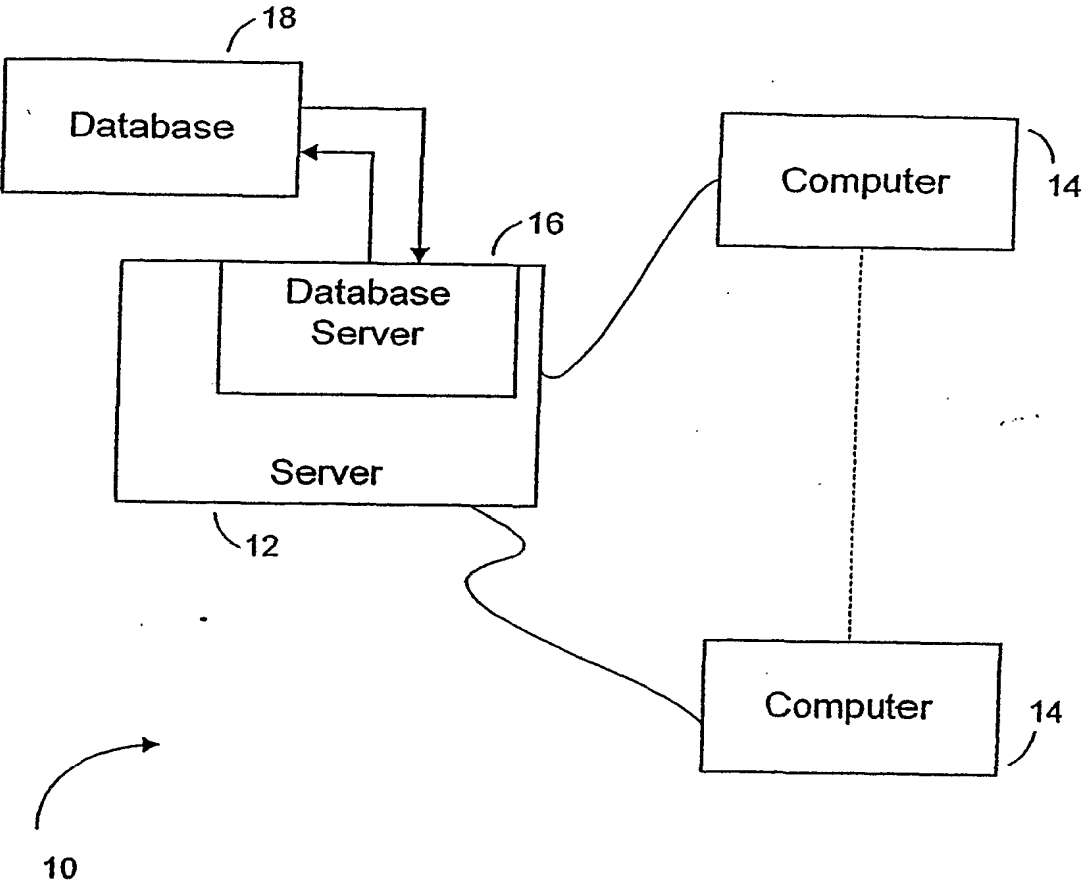


FIG. 1

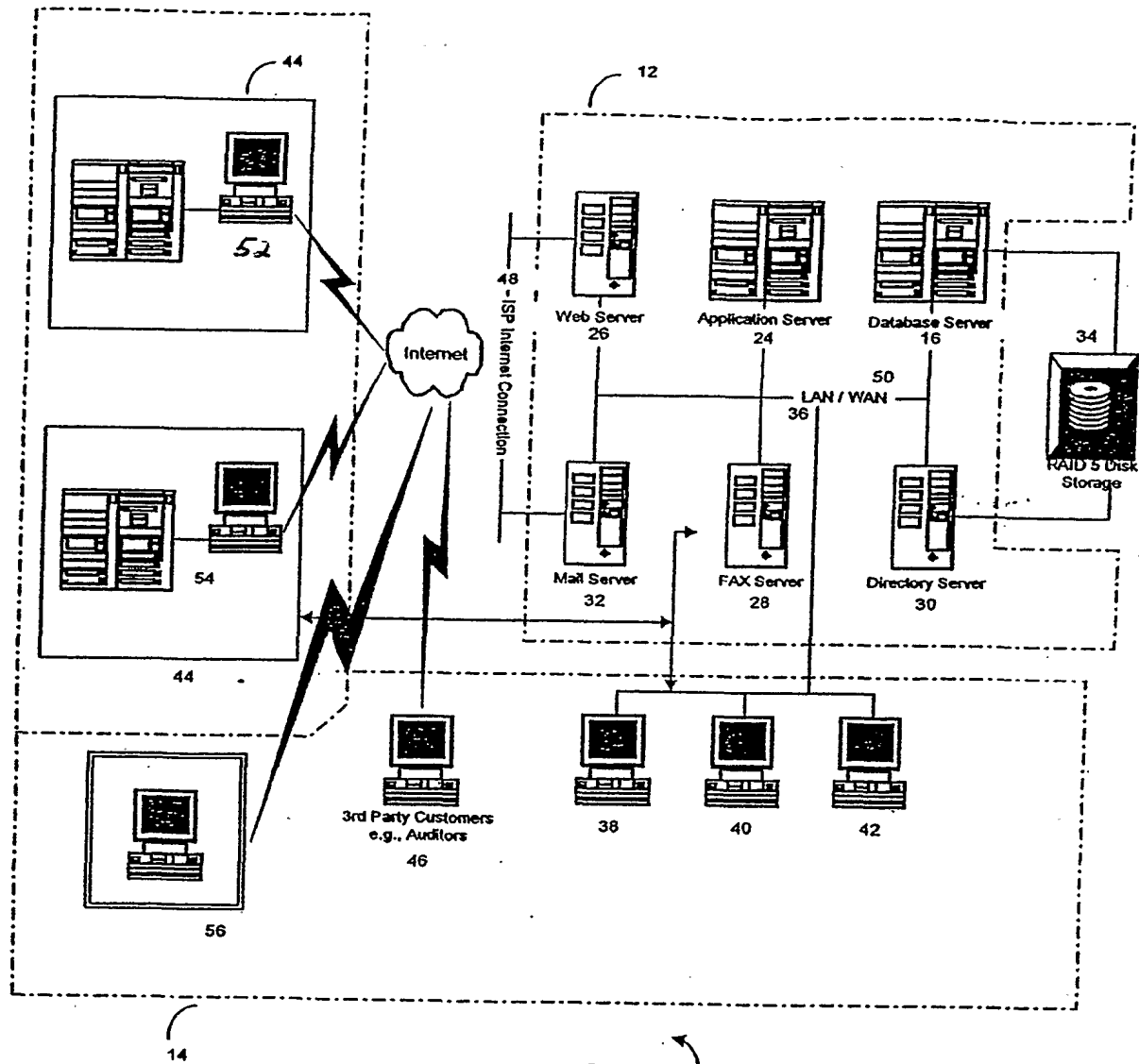
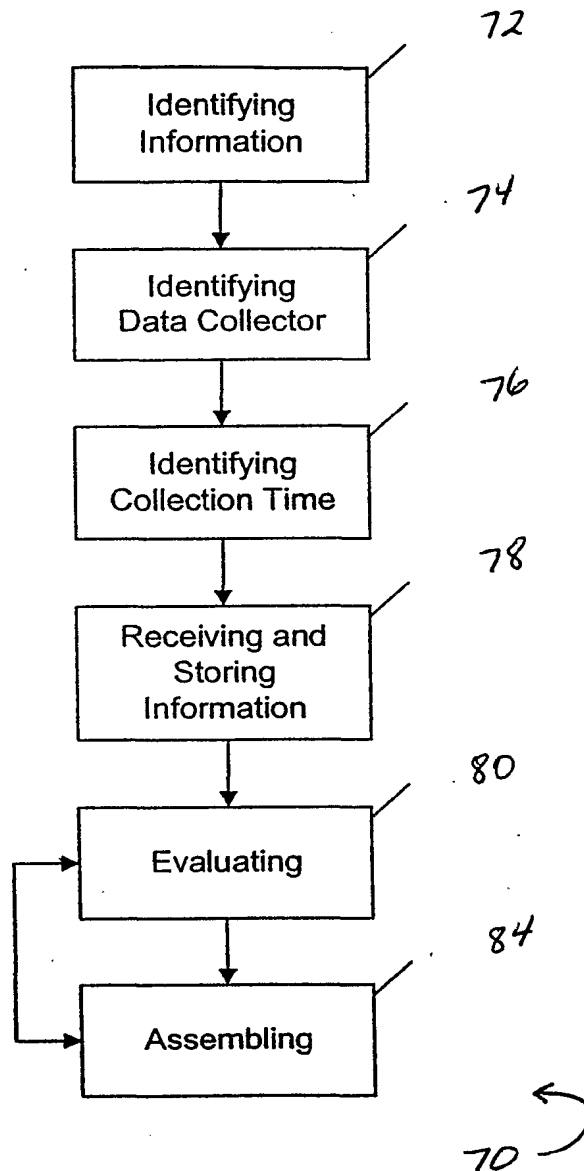


FIG. 2

FIGURE 3

100✓

Pre-Proposal Information Request List

Financial

- _____ 3-5 years (minimum of 5 years and through last recession if cyclical business and cash flow deals) historical audited financials (include annual reports if applicable)
- _____ Historical monthly financials including income statements, balance sheets, and cash flow statements for last fiscal year and through year to date (only require interim financials and comparables for cash flow transactions unless business is seasonal)
- _____ Projected monthly (not needed for cash flow transactions unless business is seasonal) and annual financials including income statements, balance sheets, and cash flow statements for the term of the contemplated facility

Collateral Information

- _____ Current Borrowing Base Certificate if available
- _____ Any other collateral monitoring reports company provides current lender

Accounts Receivable

- _____ Most recent A/R aging
- _____ Top ten largest customers by sales volume for last 12 months

Inventory

- _____ Inventory perpetual by location and inventory class (i.e., Raw Materials, WIP, and Finished Goods) as of most recent month end
- _____ Type and amount of inventory reserves on books

Fixed Assets

- _____ Detailed listing of fixed assets including age and original cost vs. depreciated amount (break out of Real Estate vs. Machinery and Equipment)
- _____ Recent appraisals if available
- _____ Environmental reports if available (Phase I and II)

Other

- _____ Company history/narrative
- _____ Industry overview/competitive environment
- _____ Market share and rank
- _____ Corporate structure
- _____ Sources and uses of funds at close
- _____ List of competitors
- _____ Tax liabilities
- _____ Accounts payable aging

NOTE: Less Detail On Collateral Required For Cash Flow Deals.

FIG 4

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Credit File
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File folder:

Credit	Legal		Provider	Received	
				Yes	N/A
✓		1 Most recent A/R aging.	O		
✓		2 Top ten largest customers by sales volume for last 12 months.	O		
✓		3 3-5 years of historical bad debt write-offs.	O		
✓		4 Dilution for Last 5 years	O		
✓		5 Sales Brochures and Other Descriptive Information	O		
✓		6 Recent Appraisals	O		
✓		7 Historical Monthly financials including income statements, balance sheets, and cash flow statements for last fiscal year and through year to date	O		
✓		8 Current Borrowing Base Certificate if available (other bank)	O		
✓		9 Any other collateral monitoring reports company provides current lender	O		
✓		10 Inventory perpetual by location and class (R.M., W.I.P. and F.G.) as of most recent months and	O		
✓		11 Any Prior/Current appraisals of M&E and R/E (FIRREA basis appraisals, if available)	O		
✓		12 Fixed asset ledger for current year, including Orig. Costs, Gross Dep., Dep. Carrying Value, and Date of Acquisition	O		
✓		13 Strategic Plans, Business Plans, Analysis of Acquisition	U		
✓		14 Historical Capital expenditures and Depreciation	U		
✓		15 Market share and rank	U		
✓		16 Sales and Gross Margin by Product Line	U		
✓		17 List of competitors	U		
✓		18 Copies of product warranties	U		
✓		19 Major or Government Contracts	U		
✓		20 Environmental Audits	U		
✓		21 Description of capitalization policy	U		
✓		22 Listing of all Material Real Estate and Asset Holdings by Legal Entity Including: Owned w/ Appraisals or Leased w/ Terms, location, Brief Description, Detail on Retail Facilities and Distribution Centers	U		
✓		23 Significant Long Term Leases	U		
✓		24 3-5 years (minimum of 5 years and through last recession if cyclical business and cash flow deals) historical audited financials (by Subsidiary or Division) (include annual reports if applicable)	U		
✓		25 Projected monthly (not needed for cash flow transactions unless business is seasonal) and annual financials including income statements, balance sheets, and cash flow statements for the term of the contemplated facility.	U		
✓		26 Current Interim Financials vs. Last Year Interim	U		
✓		27 Audit Report (Including following:)	A		
✓		Audit Date, FYE, & Prior Audit Date	A		
✓		Sales by Customer Summary	A		
✓		Summary of Notes Receivable	A		
✓		Summary of Customers With Extended Terms	A		
✓		Summary of O/S Letters of Credit	A		
✓		Summary of Insurance Policies	A		
✓		Summary of Significant Leases	A		
✓		Summary Of Purchases by Vendor	A		
✓		Client Prepared Report (Inv > 12 months sales/usage)	A		
✓		Summary (Inv. values by location)	A		
✓		Summary (Inv. values by product line/class)	A		
✓		Summary of Cash Management system (inc. bank accts/numbers)	A		
✓		Top ten largest customers by sales volume for last 12 months.	A		
✓		3-5 years of historical bad debt write-offs.	A		
✓		Dilution calculation for Last 2 years	A		
✓		Copies of product warranties	A		
✓		Major or Government Contracts	A		
✓		Environmental Audits	A		
✓		Description of capitalization policy	A		
✓		Significant Long Term Leases	A		
✓		28 Most recent A/R aging: (On Disk)	A		
✓		29 Inventory perpetual by location and class (R.M., WIP, and F.G.) as of most recent month end (On Disk)	A		
✓		30 Management letters prepared by the external auditors for the last two years	A		
✓		31 Tax Returns for the last one to three years	A		
✓		32 Year 2000 checklist (to be completed by client at the commencement of the audit)	A		

FIG. 5

**Legal Documentation File
Table of Contents**

File folder:						Received		
Credit	Legal					Provider	Yes	N/A
	✓	33	Intercreditor and Subordination Agreements			U		
	✓	34	Existing Litigation			U		
	✓	35	Outstanding Warranties and Guarantees			U		
	✓	36	Commitments and Understandings - Written and Oral			U		
	✓	37	Supply Agreements and Trust Agreements			U		
	✓	38	Non-Competition Agreements and Agreements restricting any of the Co.'s			U		
	✓	39	License / Franchise agreements relating to Trademarks, Trade names, Copyrights, Patents, Technology, etc			U		
	✓	40	Material Permits, Licenses, Consents, and Authorizations required to conduct the business			U		
	✓	41	Amounts/Costs of Regulatory Issues			U		
	✓	42	Agreements (Intercreditor and Mortgages) relating to Liens, Security interests, or Encumbrances on any assets			U		
	✓	43	All Employment, Consulting, Deferred Compensation, Bonus, Severance, Profit Sharing, Stock option or Similar Plans or Agreements Affecting any Employee (see Bus D.D.)			U		
	✓	44	All Contracts Not in the Ordinary Course of Business			U		
	✓	45	All Agreements with any Member of Senior Management (see Bus D.D. - Management)			U		
	✓	46	All Benefit Plans and all Amendments thereto			U		
	✓	47	All Material Communications to or from the IRS, the Dept. of Labor or the Pension Benefit Guaranty Corp. relating to any benefit plan			U		
	✓	48	Tax liabilities			U		
	✓	49	Commitment Letter Detailing Terms, size, etc.			U		
	✓	50	Results of "Loan Documentation Questionnaire"			U		

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FIG 6

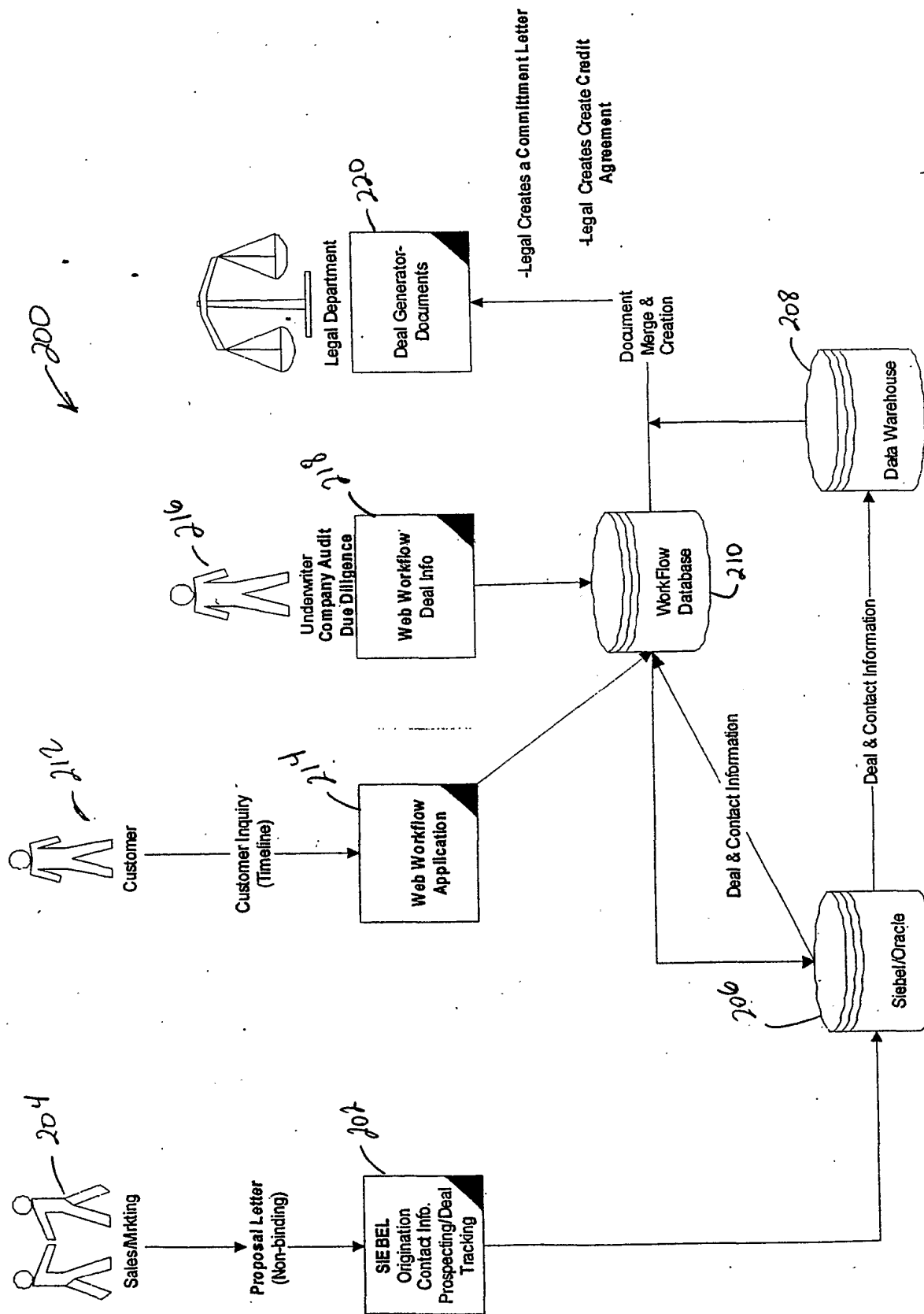


FIG. 7